

## **SUGAR BOWL**

Audits of Financial Statements

June 30, 2009 and 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/4/09

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## **Independent Auditor's Report**

To the Executive Committee  
Sugar Bowl

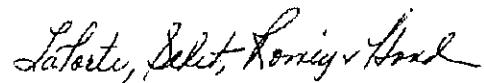
We have audited the accompanying statements of financial position of the Sugar Bowl (the Organization) (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sugar Bowl as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 12-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the Sugar Bowl's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



A Professional Accounting Corporation

Metairie, Louisiana  
September 3, 2009

**SUGAR BOWL**  
**Statements of Financial Position**  
**June 30, 2009 and 2008**

	2009	2008
<b>Assets</b>		
Cash and Cash Equivalents	\$ 5,785,523	\$ 828,435
Accounts Receivable, Net of Allowance of \$-0- and \$25,000 for 2009 and 2008, Respectively	346,937	428,028
Interest Receivable	115,418	167,277
Prepaid Expenses	24,229	172,414
Investments	25,318,207	34,590,996
Property and Equipment, Net	1,097,815	1,170,728
<b>Total Assets</b>	<b>\$ 32,688,129</b>	<b>\$ 37,357,878</b>
<b>Liabilities and Unrestricted Net Assets</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 359,310	\$ 322,510
Deferred Sponsorship Revenue	250,000	-
Deferred Ticket Revenue	58,046	-
<b>Total Liabilities</b>	<b>667,356</b>	<b>322,510</b>
<b>Unrestricted Net Assets</b>		
Undesignated	32,020,773	37,035,368
<b>Total Liabilities and Unrestricted Net Assets</b>	<b>\$ 32,688,129</b>	<b>\$ 37,357,878</b>

The accompanying notes are an integral part of these financial statements.

**SUGAR BOWL**  
**Statements of Activities**  
**For the Years Ended June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Unrestricted Revenue, Gains and Other Support</b>	<b>\$ 8,211,749</b>	<b>\$ 32,048,030</b>
<b>Expenses</b>		
Program Expenses	<b>9,385,456</b>	19,320,958
Support Expenses	<b>3,840,888</b>	3,135,542
<b>Total Expenses</b>	<b>13,226,344</b>	22,456,500
<b>Change in Unrestricted Net Assets</b>	<b>(5,014,595)</b>	9,591,530
<b>Net Assets, Beginning of Year</b>	<b>37,035,368</b>	27,443,838
<b>Net Assets, End of Year</b>	<b>\$ 32,020,773</b>	<b>\$ 37,035,368</b>

The accompanying notes are an integral part of these financial statements.

**SUGAR BOWL**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Change in Unrestricted Net Assets	\$ (5,014,595)	\$ 9,591,530
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	130,886	87,037
Net Unrealized Loss on Investments	4,558,265	1,898,422
Decrease (Increase) in Accounts Receivable	81,091	(256,900)
Decrease (Increase) in Prepaid Items	148,185	(59,077)
Decrease (Increase) in Interest Receivable	51,859	(8,472)
Increase (Decrease) in Accounts/Pledges Payable and Accrued Expenses	286,800	(48,297)
Increase (Decrease) in Deferred Revenue	58,046	(558,523)
<b>Net Cash Provided by Operating Activities</b>	<b>300,537</b>	<b>10,645,720</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(57,974)	(986,042)
Purchases of Investments	(6,079,672)	(47,875,909)
Proceeds from the Sale/Redemption of Investments	10,794,197	38,142,516
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>4,656,551</b>	<b>(10,719,435)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,957,088</b>	<b>(73,715)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>828,435</b>	<b>902,150</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 5,785,523</b>	<b>\$ 828,435</b>

The accompanying notes are an integral part of these financial statements.

## **SUGAR BOWL**

### **Notes to Financial Statements**

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#### **Note 1. Nature of Activities**

The Sugar Bowl (the Organization) is a not-for-profit organization established to seek out, promote, finance, sponsor, schedule, conduct, and operate an annual calendar of national and international amateur and collegiate sporting events in New Orleans, Louisiana. For the year ended June 30, 2009, the Organization hosted one NCAA postseason football game, the annual Sugar Bowl Classic. For the year ended June 30, 2008, the Organization hosted two NCAA postseason football games, the annual Sugar Bowl and the BCS National Championship Game.

#### **Note 2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting.

##### **Basis of Presentation**

Financial statement presentation follows the recommendations of the FASB *Accounting Standards Codification (ASC) 958-205 (Not-for-Profit Entities - Presentation of Financial Statements)*. In accordance with ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Revenues are classified as temporarily or permanently restricted when they are received as donations with a donor stipulated restriction.

As of June 30, 2009 and 2008, the Organization's net assets were unrestricted.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

##### **Contributions**

The Organization accounts for contributions in accordance with the recommendations of the FASB *Accounting Standards Codification (ASC) 958-605 (Not-for-Profit Entities - Revenue Recognition)*. In accordance with ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



## **SUGAR BOWL**

### **Notes to Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

##### **Advertising**

Advertising costs are expensed as incurred and included as a program expense in sponsorship package expense. Advertising expense amounted to \$160,340 and \$104,477, for the years ended June 30, 2009 and 2008, respectively.

##### **Accounts Receivable**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

##### **Property and Equipment**

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

##### **Deferred Ticket Revenue**

Ticket sales made prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

##### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

##### **Investments and Investment Valuation**

Under FASB *Accounting Standards Codification (ASC) 958-320 (Not-for-Profit Entities – Investments in Debt and Equity Securities)*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying statements of activities.

The Organization's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

##### **Income Tax Status**

The Organization is qualified as a nonprofit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

## SUGAR BOWL

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

##### Donated Goods and Services

Under FASB Accounting Standards Codification (ASC) 958-605 (*Not-for-Profit Entities - Revenue Recognition*), organizations are required to recognize as revenue and related expense services received if the Organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements of the Organization for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

#### Note 3. Property and Equipment

Major classifications of property and equipment at June 30<sup>th</sup> consist of the following:

	2009	2008
Leasehold Improvements	\$ 994,379	\$ 992,003
Furniture and Fixtures	257,671	206,342
Computer Equipment	94,087	89,819
	<u>1,346,137</u>	<u>1,288,164</u>
Less: Accumulated Depreciation and Amortization	248,322	117,436
<b>Property and Equipment, Net</b>	<b><u>\$1,097,815</u></b>	<b><u>\$ 1,170,728</u></b>

Depreciation and amortization expense for the years ended June 30, 2009 and 2008, totaled \$130,886 and \$87,037, respectively.

#### Note 4. Concentration of Credit Risk

The Organization periodically maintains cash in bank accounts in excess of federally insured limits. The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

#### Note 5. Investments and Fair Value Measurements

The Organization's investments are comprised of the following as of June 30<sup>th</sup>:

	2009	2008
U.S. Government Securities	\$ 13,257,320	\$ 17,890,070
Mutual Funds	9,654,883	13,339,102
Equity Securities	2,297,092	3,080,592
Cash Held for Investment	108,912	281,232
<b>Total</b>	<b><u>\$ 25,318,207</u></b>	<b><u>\$ 34,590,996</u></b>

## SUGAR BOWL

### Notes to Financial Statements

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#### Note 5. Investments and Fair Value Measurements (Continued)

The following schedule summarizes the investment results for the years ended June 30<sup>th</sup>:

	2009	2008
Interest Income, Net of Investment Expenses	\$ 1,026,690	\$ 1,108,651
Unrealized Loss	(4,558,265)	(1,898,422)
<b>Total</b>	<b>\$ (3,531,575)</b>	<b>\$ (789,771)</b>

FASB *Accounting Standards Codification* (ASC) 820 (*Fair Value Measurements and Disclosures*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of a valuation methodology that are unobservable and significant to the fair value measurement and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used in the instance Level 1 or Level 2 are not available.

The following is a description of the valuation methodologies used for assets measured at fair value.

#### *Level 1 Fair Value Measurements*

The fair values of U.S. Government Securities, mutual funds, equity securities and cash held for investment are based on quoted net asset values of the shares held by the Organization at year-end.

#### *Level 3 Fair Value Measurements*

Meridian Diversified Fund, Ltd. is a mutual fund that is not actively traded, and significant other observable inputs are not available. Investments in investment funds are recorded based on GAAP and on the Funds' proportionate share of the underlying net assets of the investment funds based on valuation supplied by the investment funds in accordance with the practices and policies of each such investment fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## SUGAR BOWL

### Notes to Financial Statements

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#### Note 5. Investments and Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2009:

	Level 1	Level 3	Total
U.S. Government Securities	\$ 13,257,320	\$ -	\$ 13,257,320
Mutual Funds	7,587,479	2,067,404	9,654,883
Equity Securities	2,297,092	-	2,297,092
Cash Held for Investment	108,912	-	108,912
<b>Total</b>	<b>\$ 23,250,803</b>	<b>\$ 2,067,404</b>	<b>\$ 25,318,207</b>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the period from inception to June 30, 2009:

Balance at Inception	\$ 1,300,000
Purchases, Sales, Issuances, and Settlements (Net)	1,000,000
Unrealized Losses Relating to Investments Held at Reporting Date	(232,596)
<b>Total</b>	<b>\$ 2,067,404</b>

#### Note 6. Lease Commitments

The Organization is committed to leasing the Louisiana Superdome (the Superdome) for its annual football game pursuant to an amended lease which dates back to December 24, 1975. The amended lease, currently in its third ten-year renewal term extending through 2015, stipulates a minimum annual rent of \$40,000, plus an additional 5% of the gross football ticket sales in excess of \$700,000, subject to a maximum rental cap of \$200,000. The parties have further modified the amended lease, pursuant to letter agreements, stipulating an additional maximum rent of \$100,000 for the BCS National Championship game that was played in 2008.

For the years ended June 30, 2009 and 2008, the Organization's rental expense for its annual football games totaled \$200,000 and \$300,000, respectively.

During the year ended June 30, 2008, the Organization reestablished its office in the Superdome. The office space in the Superdome has a lease term through 2014. For the years ended June 30, 2009 and 2008, the Organization's rental expense for its office space totaled \$98,587 and \$72,280, respectively.

## **SUGAR BOWL**

### **Notes to Financial Statements**

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#### **Note 7. Commitments and Contingencies**

The Organization has employment agreements with its Chief Executive Officer and Chief Operating Officer which extend through June 30, 2010. The aggregate commitment under these agreements is \$603,530 for the year ending June 30, 2010. Associated with the employment contracts is an obligation to contribute 15% of the above-mentioned compensation to a Simplified Employee Pension Plan.

Under its contract with the Bowl Championship Series (BCS), the Organization is committed to paying \$6,000,000 *per game*, with the exception of the BCS Championship Game for which they will pay \$8,000,000. Payments will be made per game as follows: \$6,000,000 for each Sugar Bowl game played in 2010, 2011, 2012, 2013 and 2014, and \$8,000,000 for the BCS National Championship game in 2012. The BCS contract expires April 1, 2014.

During the year ended June 30, 2007, the Organization donated \$400,000 to City Park, to help restore and maintain City Park's athletic facilities located in New Orleans, Louisiana. In addition, the Organization's Board of Directors approved additional funding of \$400,000 that would be granted upon the satisfaction of certain progress benchmarks. Although the agreement between the Organization and City Park has not been finalized, a total of \$100,000 was paid to City Park in the year ended June 30, 2009.

#### **Note 8. Simplified Employee Pension Plan**

The Organization is committed to a simplified employee pension plan for all full-time, non-contractual employees of the Organization with a minimum of one year of service. The annual contribution shall be equal to 15% of each eligible employee's annual wages. The contributions for the years ended June 30, 2009 and 2008, were \$46,025 and \$43,281, respectively.

#### **Note 9. Related Party Transactions**

Members of the Organization are involved with companies supplying goods and services to the Organization. In such instances where "related parties" conduct business with the Organization, due care is taken to assure that the services and/or goods are purchased at normal competitive rates. The total dollar amounts of the transactions are immaterial to the financial statements taken as a whole.

#### **Note 10. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were issued, September 3, 2009, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUGAR BOWL**  
**Unrestricted Revenue, Gains and Other Support**  
**For the Years Ended June 30, 2009 and 2008**

	2009	2008	2008	2008
	<b>Sugar Bowl</b>	<b>BCS National Championship</b>	<b>Sugar Bowl</b>	<b>Total</b>
Ticket Sales - Football	\$ 8,650,974	\$ 15,513,321	\$ 8,754,935	\$ 24,268,256
State of Louisiana - Cooperative Endeavor	1,395,000	1,500,000	1,500,000	3,000,000
Secondary Sponsorships	984,125	2,023,118	2,133,022	4,156,140
Licensing	310,700	286,415	312,206	598,621
Program Revenue	115,335	300,425	75,090	375,515
Heritage Festival	67,140	129,370	108,630	238,000
Hotel/Motel Revenue	191,587	75,500	75,500	151,000
Miscellaneous	28,463	-	50,269	50,269
Investment Loss	(3,531,575)	-	(789,771)	(789,771)
<b>Total Unrestricted Revenue, Gains and Other Support</b>	<b>\$ 8,211,749</b>	<b>\$ 19,828,149</b>	<b>\$ 12,219,881</b>	<b>\$ 32,048,030</b>

See independent auditor's report.

## Schedule II

**SUGAR BOWL**  
**Program Expenses**  
**For the Years Ended June 30, 2009 and 2008**

	2009	2008	2008	2008
	Sugar Bowl	BCS National Championship	Sugar Bowl	Total
BCS Payout	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 12,000,000
Stadium Expense	590,473	551,244	700,684	1,251,928
Entertainment	495,302	810,833	447,817	1,258,650
Football Committee Expense	375,790	317,570	332,579	650,149
Media Relations	238,597	490,278	194,300	684,578
Stadium Suites	230,815	255,815	353,410	609,225
Special Appropriations	216,931	-	254,625	254,625
Awards and Trophies	210,754	279,605	167,128	446,733
Sponsorship Packages	178,479	178,418	145,454	323,872
Decorations	156,563	177,662	152,582	330,244
Sponsor Trades	144,690	284,725	108,213	392,938
Football Team Packages	99,863	95,041	138,121	233,162
Ticket Committee	97,804	46,024	125,985	172,009
Insurance Expense	97,513	115,778	94,349	210,127
Allstate Liaison	67,088	112,975	45,055	158,030
Pageant	36,567	39,655	8,610	48,265
City Relations	34,035	41,685	34,045	75,730
Golf	32,226	20,653	20,660	41,313
Game Day Program	25,750	38,000	26,570	64,570
Regatta	13,562	-	12,558	12,558
NFF/College Hall of Fame	13,423	-	16,843	16,843
Lacrosse	12,838	-	12,701	12,701
Soccer	10,000	-	10,000	10,000
Manning Quarterback Award	3,567	-	16,620	16,620
Track and Field	1,000	-	20,053	20,053
Automobile Expense	926	4,101	4,102	8,203
Television/Radio Expense	900	13,182	4,650	17,832
<b>Total Program Expenses</b>	<b>\$ 9,385,456</b>	<b>\$ 9,873,244</b>	<b>\$ 9,447,714</b>	<b>\$ 19,320,958</b>

See independent auditor's report.

## Schedule III

**SUGAR BOWL**  
**Support Expenses**  
**For the Years Ended June 30, 2009 and 2008**

	2009	2008
General and Administrative Expenses	\$ 2,462,793	\$ 2,633,489
Special Appropriations	1,155,700	240,000
Depreciation Expense	130,886	87,037
Insurance Expense	57,476	59,796
Goods for Resale	25,542	115,220
Repairs and Maintenance	8,491	-
<b>Total Support Expenses</b>	<b>\$ 3,840,888</b>	<b>\$ 3,135,542</b>

See independent auditor's report.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Executive Committee  
Sugar Bowl

We have audited the financial statements of the Sugar Bowl as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated September 3, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Sugar Bowl's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Sugar Bowl's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

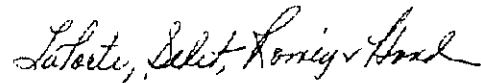
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sugar Bowl's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management, others within the Organization and the State of Louisiana, Department of Economic Development and is not intended to be, and should not be, used by anyone other than these specified parties.



A Professional Accounting Corporation

Metairie, Louisiana  
September 3, 2009



September 3, 2009

Mr. G. Charles Lapeyre  
Chairman of Finance Committee  
**Sugar Bowl**  
Louisiana Superdome  
1500 Sugar Bowl Drive  
New Orleans, LA 70112

Dear Mr. Lapeyre:

In planning and performing our audit of the financial statements of **Sugar Bowl** (the Organization) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated September 3, 2009, on the financial statements of Sugar Bowl.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### **1. Bank Reconciliations**

Monthly bank account reconciliations are a critical component of the Organization's internal control over its bank accounts. While reconciliations are prepared on a monthly basis, there existed one account where the balance per the reconciliation did not agree with the its respective balance on the general ledger. As of June 30, 2009, there was an un-reconciled amount of \$26,533 in the Capital One Tower Checking Account. While the dollar amount of this difference is immaterial to the financial statements taken as a whole, it is important to note the difference and to understand that the controls over cash are compromised when a reconciliation cannot be completed timely. The inability to reconcile accounts, timely, could obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation. Un-reconciled amounts should be investigated and not be allowed to carry over from month to month.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535  
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956  
TOWN HALL WEST, 10000 PERKINS ROWE, STE. 200, BATON ROUGE, LA 70810-1797 • 225.296.5150 • FAX 225.296.5151  
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## **2. Recording of Football Ticket Revenue**

During fiscal 2009, the Organization reported ticket revenue of \$8,689,670 to the NCAA. This was the amount of ticket revenue according to Archtics, the Organization's in-house client server-based ticketing system. However, the amount of ticket revenue per the general ledger was \$8,650,974; therefore creating an un-reconciled variance between Archtics and the general ledger of \$38,696. We understand that when tickets are purchased through Paymentech, there is a lag time of several days from when the tickets are purchased to when the funds are actually deposited into the Capital One Tower Account. We have held discussions with management who believe that the variances between the Archtics reports and the general ledger are caused by this lag time. We recommend that the Organization utilize the Paymentech reports as its source document for generating a receivable within the general ledger, rather than immediately posting these amounts to the Tower Account. We also recommend that further training be pursued and offered to the staff of the Organization who are responsible for ticket sales and reconciliations of those sales.

## **3. Recording of Investment Gain/Loss**

At the conclusion of our auditing the Organizations investments, we proposed entries to record the reclassification of interest/dividends and unrealized gain/loss on investments. The entries did not have an impact on the bottom line of the Organization, as the total return on investments was correctly stated; however, without the reclassifications, a presentation error within the Organizations footnotes would exist. This conclusion was reached after an analysis of current year balances to prior year balances and noting variances between broker statements and the Organization's general ledger accounts for interest/dividends and unrealized gain/loss on investments. We recommend that, at least quarterly, a summary report be prepared, detailing not only the investments' balances, but also the return on those investments. This report should provide the amount of investment income earned for the quarter such as interest income, dividends, gains and losses on sale of investments and unrealized gains and losses, net of investment management fees. This report would be generated from the monthly investment statements and compared to the general ledger accounts for consistency in balances.

## **Conclusion**

Overall, we have witnessed over the last two years that the activities of the Organizations have grown which has lead to an increase in the workload of the Organization's accounting staff. This growth has been acknowledged by the management of the Organization in its attempts to hire part-time personnel for accounting. We conclude that the increasing volume of accounting transactions necessarily requires the addition of at least one experienced accountant to assist the Business Manager in the processing, reconciliation and reporting of financial information, if not an overall assessment of the make-up of the accounting staff with projections for the changing environment of the Organization in future years.

## **Management's Response**

Management of the Organization agrees with our findings and is implementing procedures to adopt our recommendations.

Mr. G. Charles Lapeyre  
September 3, 2009

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This report is intended solely for the information and use of the board of directors, management and others within the organization. If you have any questions or wish to discuss our comments further, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script, reading "LaPorte, Selig, Romig & Hand". The signature is written in black ink and is positioned above the company name.

A Professional Accounting Corporation